

*Testimony of*

**Douglas Kridler**

**President and CEO of the Columbus Foundation**

*on behalf of*

**The Council on Foundations**

*in support of*

**Extension of the Charitable IRA Rollover**

**House Committee on Ways and Means**

**Subcommittee on Select Revenue Measures**

*Hearing on*

**“Framework for Evaluating Certain Expiring Tax Provisions”**

**June 8, 2012**

Chairman Tiberi, Ranking Member Neal, and members of the Select Revenue Measures Subcommittee, thank you for this opportunity to present testimony on behalf of the Council of Foundations regarding how Congress should evaluate certain expired and expiring tax provisions, and why sound criteria strongly support extension of the charitable individual retirement plan rollover.

My name is Doug Kridler, and since 2002 I have served as president and chief executive officer of the Columbus Foundation, a community foundation serving the central Ohio region. During 2010, the Foundation awarded more than \$100 million in grants to more than 2,000 charitable organizations in such fields as education, health, social services, community development, urban affairs, and the arts. Since its founding in 1943, the Columbus Foundation has grown to become the tenth largest community foundation in the United States. The assets of the Foundation and our affiliates totaled \$1.06 billion as of December 31, 2010. These assets are held in nearly 2,000 funds, 29 supporting organizations, and one state-wide affiliate. The Columbus Foundation, and other community foundations in every region of the country, provide critical assistance to the communities we serve. We are engaged in every aspect of the lives of the cities, towns, and rural areas in which we are located, and often we are the first place our neighbors turn when in need of help. That is particularly true in times, such as now, when so many individuals and organizations in our communities face increased need amidst diminished resources. We at the Columbus Foundation have responded to those increased needs by stepping up our own efforts. We are fully committed to continuing to do everything we can to provide essential support to the central Ohio region, and I know other community foundations are fully committed to their communities as well.

I am testifying today on behalf of the Council on Foundations, of which the Columbus Foundation is a member. The Council on Foundations represents over 2,000 grantmaking foundations and corporations with assets of over \$300 billion. As the voice of philanthropy, the Council works to create an environment in which the movement can grow and thrive, and to promote policies that enable the philanthropic sector to work most effectively. A key component of the Council's mission is to advocate policies which will permit its members to best serve their communities. Accordingly, my testimony focuses on one of the Council's major policy priorities—extension of the Internal Revenue Code provision which permitted taxpayers to make tax-free distributions from individual retirement plans for charitable purposes, popularly known as the “charitable IRA rollover”.<sup>1</sup>

I applaud Chairman Tiberi for holding this hearing. The Council on Foundations very much agrees that expired or expiring tax provisions should be further extended only if it is conclusively demonstrated that those provisions effectively serve worthy policy goals. Based on such evaluation criteria, the charitable IRA rollover very much merits further extension.

By way of background, prior to 2006, taxpayers wishing to transfer Individual Retirement Account (“IRA”) assets to charity first had to recognize the amount as income, make a transfer, and then claim a charitable contribution deduction for the amount gifted. This often resulted in

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<sup>1</sup> As the Chairman's announcement of the hearing noted, among the “tax extenders” to be addressed by the hearing are those extended in Title VII of Public Law No. 111-312, the “Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010”. The IRS rollover was among the provisions extended in that 2010

tax liability, even though the donor ultimately transferred the entire IRA distribution to charity. The Pension Protection Act of 2006 partially solved this problem by allowing individuals to transfer amounts from their IRA accounts directly to charity without first having to recognize the distribution as income. Since its initial enactment, the charitable IRA rollover was extended multiple times with broad bipartisan support. The most recent extension of the provision expired at the end of 2011.

Community foundations are the means through which many of our neighbors choose to give back to their communities, through both volunteer service and financial support. Community foundations rely on many individual donors, most of whom contribute modest sums saved over a lifetime of work. The support of individual donors, no matter how small, is essential to our mission. We believe that applicable law should acknowledge the value of their contributions, and remove any unnecessary impediments to giving from whatever assets a prospective donor may have. The IRA rollover has done just that, proving to be a very important tool for donors who wish to make a positive difference in their community, but who may not have substantial assets beyond those typically saved by a family over the course of a lifetime, such as a retirement account. Until its expiration at the end of 2011, Internal Revenue Code section 408(d)(8) provided such donors the opportunity to make tax-free distributions from their individual retirement plans for charitable purposes. For that reason, the charitable IRA rollover has proven popular with donors, resulting in increased giving from IRA accounts. That is particularly true for donors of relatively modest means, who disproportionately have utilized the provision.

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legislation, in which it was included as section 725.

Throughout the very difficult economic circumstances of recent years, the recently expired charitable IRA rollover has proven to be immensely helpful in ensuring that philanthropic organizations have the means and flexibility to address dramatically growing needs. Further extension of the provision regarding IRA rollovers will provide donors the greater certainty needed for prudent charitable gift planning, and will ensure future donors have the ability to use this efficient means of giving.

The members of the Ways and Means Committee are right to insist that any expired or expiring tax provision which is further extended provide the maximum “bang for the buck”, that is, that the provision confer the maximum possible public benefit while using the least possible taxpayer resources. The charitable IRA rollover has done just that. It provides a critical impetus for private donors, using their own resources, to step up and help meet their community’s needs. Moreover, their assistance is channeled through private charitable entities who generally do not rely on government staff or funding to accomplish their missions, and whose structures afford them the flexibility to confer benefits to people in need in a highly innovative and cost effective manner. In short, preserving the IRA rollover will help ensure that community needs will be continued to be met through philanthropy, and will help avert increased demands on already-strained government budgets.

The Council on Foundations recognizes that, in view of the current federal budget situation, the top priority is simply extending the expired provision. However, the Council supports revisions to Internal Revenue Code section 408(d)(8) that would make the provision

more effective. At an appropriate time, such as in the context of tax reform, the Council asks that consideration be given to the reforms to section 408(d)(8) proposed in H.R. 2502, “The Public Good IRA Rollover Act of 2011”, introduced by Congressman Herger, Congressman Blumenauer, and others.

H.R. 2502 would extend permanently the provision authorizing charitable rollovers of IRAs, and make it more effective by eliminating the \$100,000 cap on rollovers, allowing donors to make rollovers beginning at age 59 ½, and permitting rollovers to donor-advised funds, supporting organizations, and private foundations.

Making the charitable IRA rollover available for gifts to donor-advised funds, supporting organizations, and private foundations will enable additional donors, particularly among middle-income Americans, to utilize charitable rollovers for the benefit of organizations that are particularly well-suited to delivering philanthropic resources quickly and effectively to communities in need.

By expanding the charitable rollover to all philanthropic tools, including donor-advised funds, charitable giving would increase even more. In particular, community foundations, which make as much as two-thirds of their grants from donor-advised funds, would be able to attract new sources of support from within their communities. These new gifts are particularly important for small community foundations—those with less than \$5 million in assets—which are particularly dependent on donor-advised funds to provide the charitable resources their communities need. Studies by the Council on Foundations found that, in 2007, donor-advised funds accounted for over one-third of all community foundation assets and 62% of their total

grantmaking.

The Council also has found that donor-advised funds are a particularly effective tool for middle-income Americans to engage in philanthropy. With most community foundations accepting a donor-advised fund in the range of \$5,000 to \$15,000, donor-advised funds are a philanthropic vehicle that can go to work immediately, a particularly valuable trait given current demands. Because donor-advised funds are so critical to the work of community foundations and to the philanthropic sector generally, it is very important that foundations and donor-advised funds be able to put assets from IRA rollovers to work for their communities.

For these reasons and more, the reforms proposed in the “Public Good Rollover Act of 2011” merit consideration in tax reform discussions. They will provide philanthropies with valuable additional tools needed to fulfill their missions, and help meet the growing needs of their communities.

In sum, the Council on Foundation urges this Committee, and the Congress, to act promptly to extend the recently expired charitable IRA rollover and, in the longer term, to enact needed reforms to the charitable IRA rollover as proposed in H.R. 2502, “The Public Good IRA Rollover Act of 2011”. Thank you again for this opportunity to present testimony.